

# QUÉBEC BUDGET HIGHLIGHTS



MARCH 2018

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- ▶ Tax relief for small and medium-sized businesses
- ▶ New mandatory specified QST registration system for non-resident suppliers
- ▶ Enhancement of many personal tax measures, most notably for caregivers

## THE QUÉBEC ECONOMIC PLAN

On March 27, 2018, Carlos Leitão, Québec's finance minister, tabled his fifth budget and the government's fourth straight balanced budget. The Québec government cut taxes for small- and medium-sized businesses ("SMEs") and will require online companies to collect Québec Sales Tax. Québec's plan is to decrease the provincial debt by a total of \$10 billion by 2022-2023, which saves about \$1 billion over that same time period in interest payments.

Here are the highlights from the budget:

### BUSINESS MEASURES

**Tax relief for SMEs** - There will be a gradual reduction of the health services funds contribution requirements for all SMEs starting in 2018. This will provide more businesses access to a rate lower than the regular rate of 4.26%. In addition, the small business deduction rate for SMEs will be standardized over a period of 4 years so that the rate by January 1, 2021 will be 4% for all qualifying SMEs. The dividend tax credit available to individuals will be amended to reflect these changes along with the gradual reduction of the general corporate tax rate previously announced.

**Replacement of the additional capital cost allowance ("CCA") of 35% with an additional CCA of 60%** - The additional CCA of 35% introduced in March 2017 will be replaced with an additional CCA of 60% that will be available for new manufacturing or processing equipment and computer equipment acquired after March 27, 2018 and before April 1, 2020.

**Enhancement of the refundable tax credit for on-the-job training and qualifying training for workers** - The on-the-job training credits will be enhanced where the workers are Aboriginal persons. In addition, the weekly qualified expenditure limit and maximum hourly rate of the refundable tax credit will be increased for all existing categories of eligible trainees. Finally, a new refundable tax credit will be introduced for SMEs with total payroll of \$7M or less to allow them to access up to \$5,460 per year per eligible employee who participates in eligible training.

**Changes related to cultural refundable tax credits**- A temporary refundable tax credit to support the digital transformation of print media companies will be introduced. In addition, enhancements will be made to the refundable tax credit for film dubbing. Furthermore, the refundable tax credit for Quebec film or television production will now include on-line productions.

## QUEBEC SALES TAX MEASURES

**E-commerce** - The Quebec government is implementing a new mandatory specified registration system for suppliers with no physical or significant presence in Quebec who make supplies to specified Quebec consumers<sup>1</sup>. Generally the QST would need to be collected and remitted on the following taxable supplies:

Suppliers	Incorporeal Movable property	Services	Movable property
Non-resident suppliers outside Canada	QST collection and remittance	QST collection and remittance	Non-applicable*
Non-resident suppliers located in Canada	QST collection and remittance	QST collection and remittance	QST collection and remittance

\* In the case of corporeal movable property from outside Canada, the QST is, in theory, collected by the Canada Border Services Agency.

A non-resident supplier can voluntarily register instead under the general registration system, if they meet the registration requirements. In this case, GST/HST registration will also be required.

Generally, this measure will apply commencing January 1<sup>st</sup>, 2019 for non-resident suppliers outside Canada and September 1<sup>st</sup>, 2019 for non-resident suppliers located in Canada.

This measure will ensure that Netflix will be required to register and collect QST commencing January 1<sup>st</sup>, 2019.

## PERSONAL MEASURES

**First time home buyers' tax credit** - A new non-refundable tax credit for individuals who purchase their first home or, for reasons of severe disability, must find a more accessible home will be available as of the 2018 taxation year.

**RénoVert tax credit** - The deadline to conclude a contract with a qualified contractor, for purposes of the RénoVert tax credit, has been extended to March 31, 2019.

**Tax credit for experienced workers** - The age of eligibility for the tax credit will be lowered as of the 2018 taxation year, to 61 years of age. For the new category of workers 61 years of age, the maximum amount of eligible work income on which the tax credit would be calculated is \$3,000 and for workers aged 62 and over, will be increased by \$1,000.

<sup>1</sup> A specified Quebec consumer will mean a person who is not registered for the QST and whose usual place of residence is located in Québec.

**Caregiver tax credits** - The refundable tax credit for informal caregivers will be expanded to include a fourth component. This component will apply to informal caregivers who, without co-residing with a relative, regularly and continuously help the relative. This credit can reach up to \$533 per eligible relative.

With respect to the refundable tax credit for volunteer respite provided to informal caregivers, the requirements relating to the number of hours of volunteer respite services will be eased. In addition, the annual envelope at a person's disposal, for recognition purposes, will be raised from \$1,000 to \$1,500.

Finally, the refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer will be enhanced effective the 2018 taxation year.

**Childcare** - The annual limits for childcare costs for certain children will be increased effective the 2018 taxation year and will be indexed annually starting in 2019.

## OTHER MEASURES

**Adjustments to the compensation tax for financial institutions** - The compensation tax rates applicable on wages will be slightly adjusted as of April 1, 2018. In addition, a maximum wage threshold will be introduced.

**Measures relating to the mining sector** - The *Mining Tax Act* will be amended in order to introduce an environmental studies allowance.

**Harmonization with federal legislation** - The Québec tax legislation will be amended to incorporate the federal Tax on Split Income changes. In addition, certain measures dealing with international transactions announced in the federal budget will be retained under the Québec tax system. The Ministère des Finances du Québec will make known at a later date its position on the other fiscal measures announced in the federal budget.

**Plan to ensure tax fairness** - The budget provides for implementing a number of measures aimed at reducing international tax losses and collection of tax revenues on activities associated with the digital economy. The government continues to combat unreported work and tax evasion in Québec with a planned review of the voluntary disclosure program and the rewarding of certain tax informants.

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